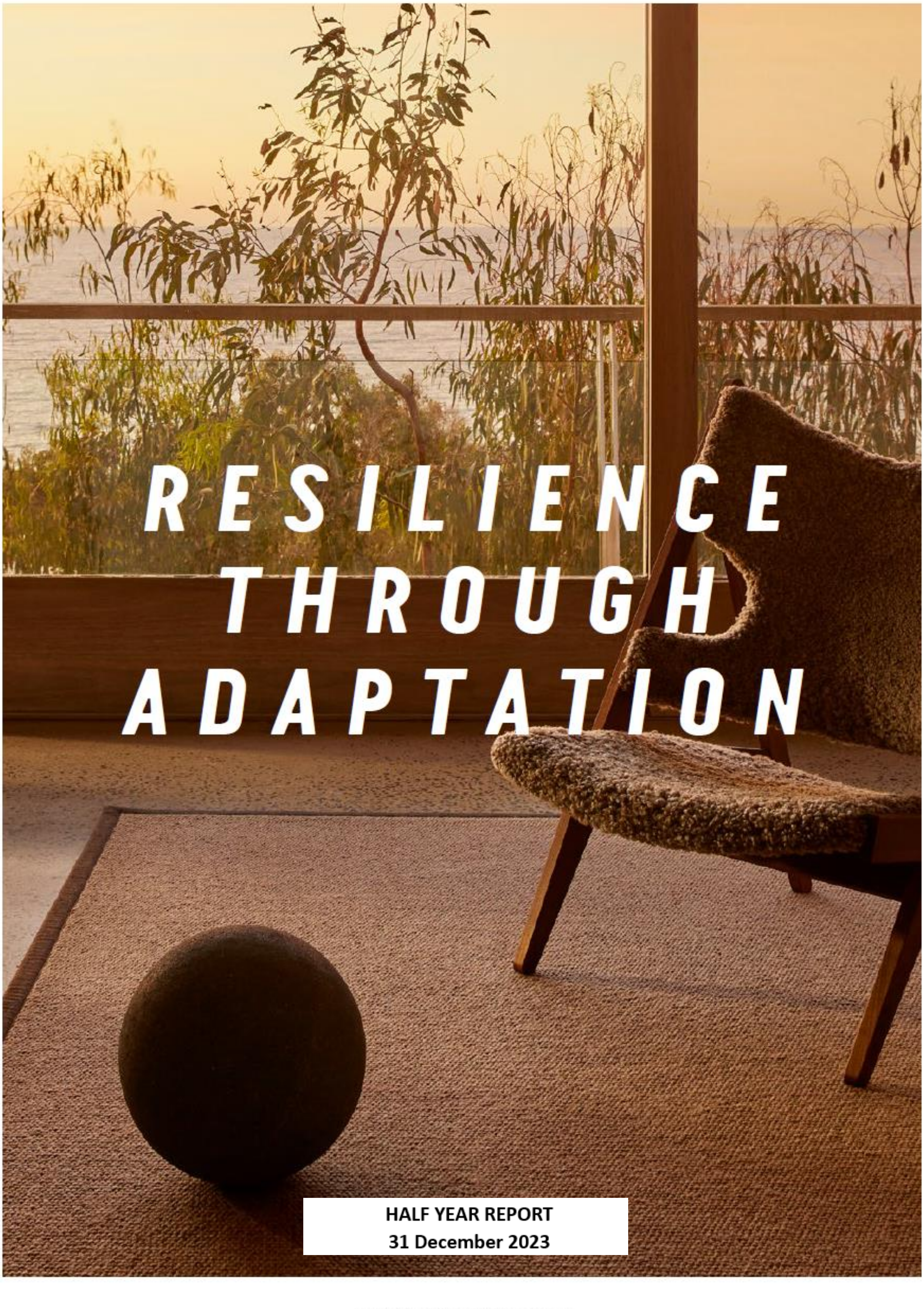
Bremworth



Let's Go Good Together

CONTENTS

Bremworth Limited and subsidiary companies

FY24 First Half (1H24) at a Glance

- Severe capacity constraints following closure of Napier plant due to damage post-Cyclone Gabrielle.
- Priority focus on implementing new hybrid supply model to mitigate ongoing yarn supply constraints and revenue losses now in its final stages, with positive results being delivered. This will allow Bremworth to rebuild volumes and inventory to meet demand.
- Continuing to work with insurers on the remediation of the Napier plant, with reinstatement of the dyehouse completed and work on the yarn continuous finishing line being considered.
- Board-led strategic review nearing completion and highlighting opportunities for management to drive volume and margin growth while also streamlining costs to enhance profitability.
- Ongoing focus on brand and product initiatives including opening of new Bremworth brand experience store in Auckland, continued new product development with new ranges to be launched in 2H24 and growing sales of Bremworth rugs.
- Appointment of new Chief Operating Officer to create alignment and focus across the supply chain and ensure growth targets are achieved.
- A strategy update will be provided to shareholders following completion of the strategic review and insurance claims process.

Bremworth Limited and subsidiary companies

FY24 First Half (1H24) Financial Snapshot

- Group revenue was down $8.2 million on 1H23, with all of that attributable to the core carpet business.

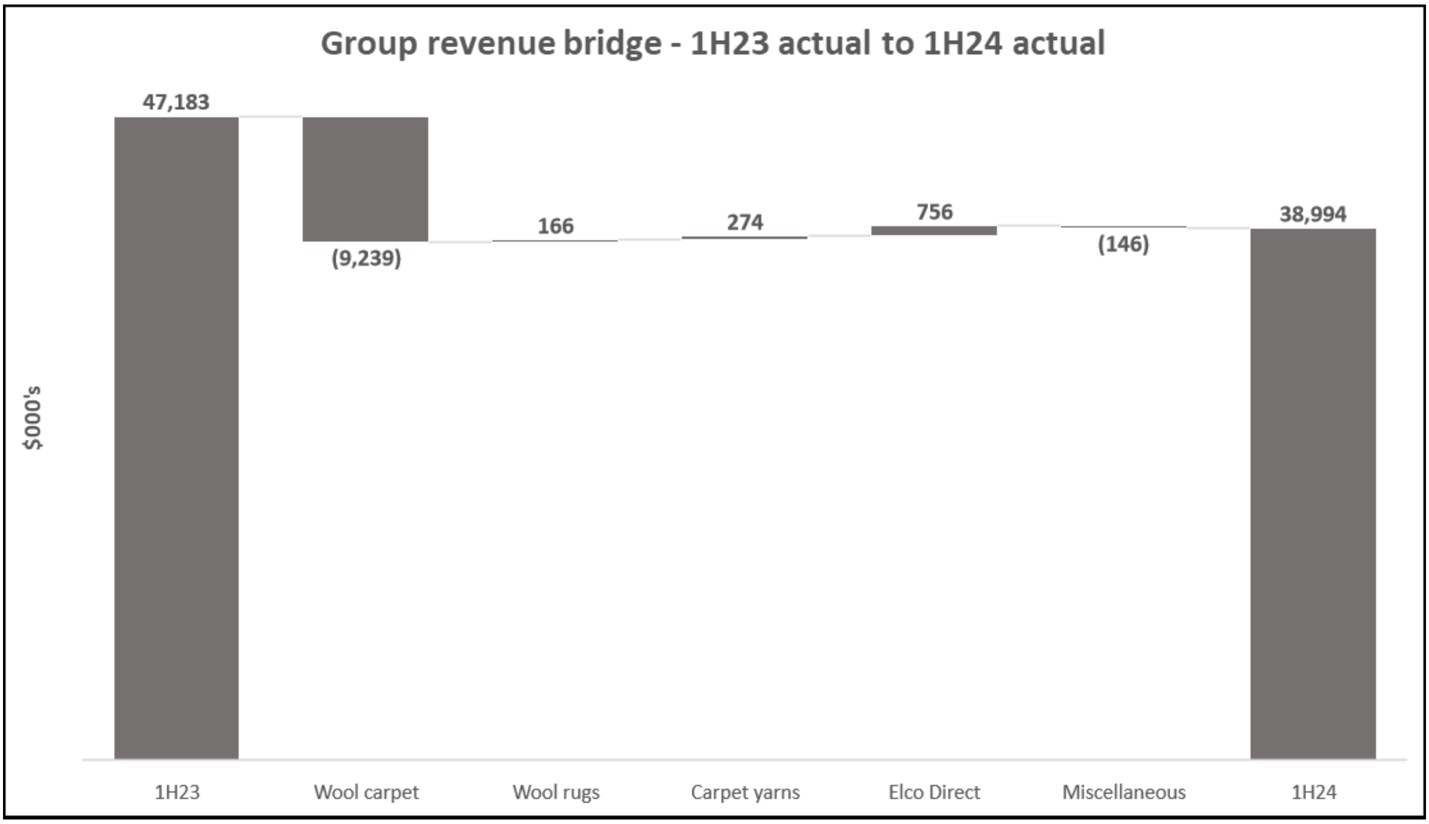
- Carpet revenue was down a total of $9.2 million across all three key markets, with the carpet business unable to meet customer demand while securing alternative supply of yarn through the new overseas supply chain.

- Rug revenue was up $0.2 million or 30% on 1H23.

- Revenue for the Elco Direct wool segment was up $0.8 million on the back of increased volume and improved selling prices.

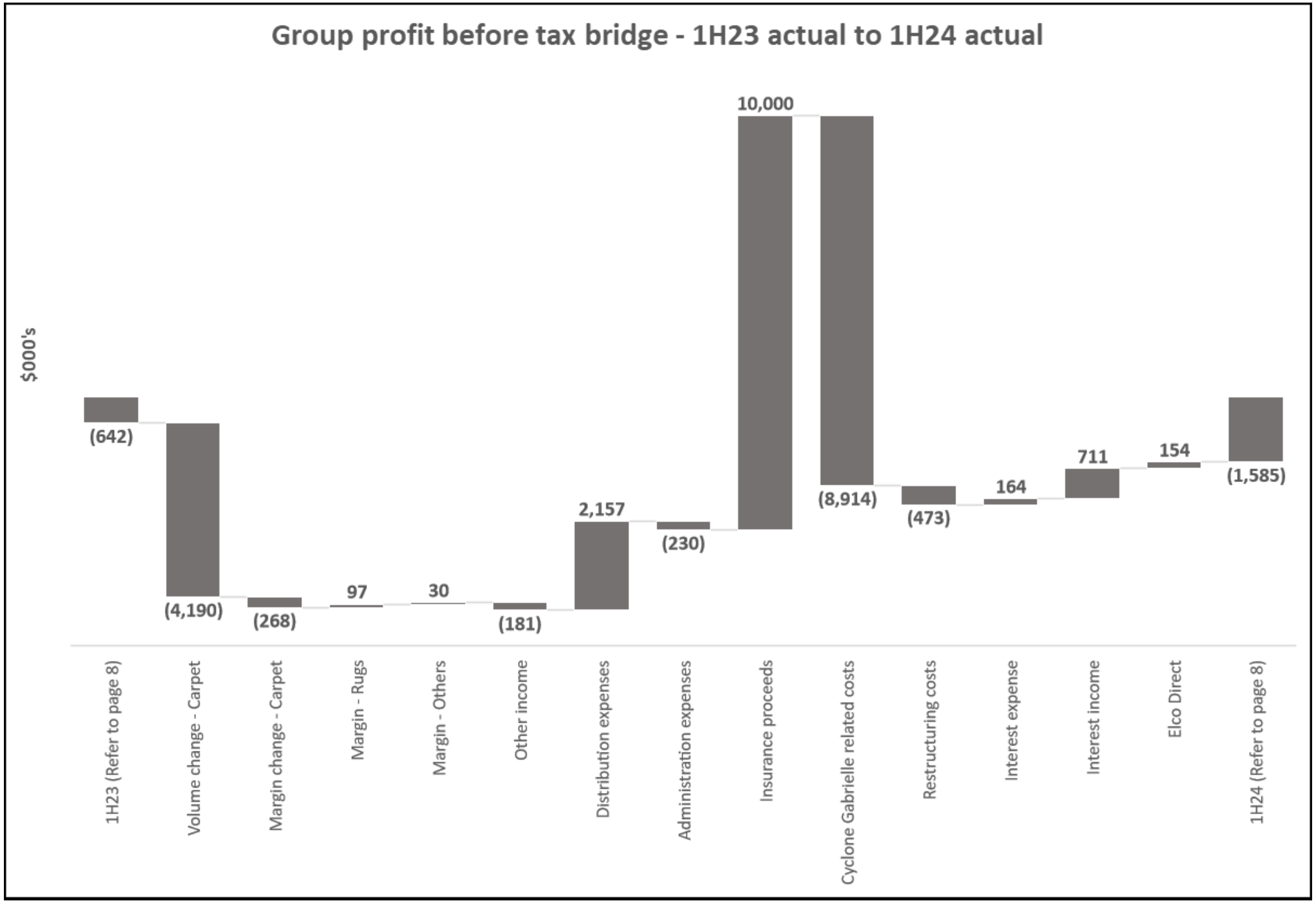
- Group gross profit margin was down from 31.2% in 1H23 to 27.3% in 1H24 as a consequence of lower carpet volumes, and the flow on effect into recovery of fixed production costs, and pressures on selling price from inability to supply.

- Group cash and bank position as at balance date stood at $30.8 million.



Bremworth Limited and subsidiary companies

FY24 First Half (1H24) Financial Snapshot (continued)



Bremworth Limited and subsidiary companies

Financial Summary - for the six months ended 31 December 2023 (Unaudited)

	Unaudited Six months ended 31 December 2023 $000	**Unaudited Six months ended 31 December 2022 $000**	**Unaudited [2] Year ended 30 June 2023 $000**
Revenue	**$38,994**	$47,183	$89,689
EBITDA (normalised) [1]	**(1,680)**	692	(200)
Depreciation – owned assets	**(373)**	(309)	(845)
Depreciation – right-of-use assets	**(524)**	(490)	(994)
Depreciation – recycled through inventory	**-**	(39)	-
EBIT (normalised) [1]	**(2,577)**	(146)	(2,039)
Finance costs	**(398)**	(562)	(1,045)
Finance income	**777**	66	502
Loss before income tax (normalised) [1]	**(2,198)**	(642)	(2,582)
Income tax (expense)/credit	**(92)**	(136)	(263)
Loss after tax (normalised) [1]	**(2,290)**	(778)	(2,845)
Abnormal net gain/(loss) after tax [1]	**613**	-	13,581
(Loss)/Profit after tax (GAAP)	**$(1,677)**	$(778)	$10,736
Net cash flow from operating activities	**$(15,841)**	$(1,839)	$(7,069)
Basic earnings per share (cents)			
Normalised [1]	**(3.27)**	(1.12)	(4.08)
GAAP	**(2.39)**	(1.12)	15.39
Diluted earnings per share (cents)			
Normalised [1]	**(3.22)**	(1.09)	(4.02)
GAAP	**(2.36)**	(1.09)	15.17
Return on average shareholders' equity (%)			
Normalised [1]	**(4.6)%**	(2.0%)	(6.5%)
GAAP	**(3.4)%**	(2.0%)	24.4%

	Unaudited As at 31 December 2023	**Unaudited As at 31 December 2022**	**Unaudited [2] As at 30 June 2023**
Net tangible asset backing per share ($)	**$0.57**	$0.43	$0.59
Equity to total assets (%)	**57.3%**	50.8%	55.1%

[1] Normalised is a non-GAAP (Generally Accepted Accounting Practice) measure that provides what the Directors believe to be a more meaningful view of the underlying financial performance of the Group. A reconciliation between GAAP and normalised earnings together with further commentary on the disclosure of non-GAAP financial information are set out at pages 27 to 29 of the half year report.

[2] Prepared using the audited GAAP-compliant financial statements for the year ended 30 June 2023.

Bremworth Limited and subsidiary companies

Half Year Review

Chair and CEO Commentary

Dear Shareholders

We are pleased to present Bremworth's FY24 First Half (1H24) report, reflecting on our progress as we enter the final stages of implementing our new hybrid supply model and outlining our strategic initiatives moving forward.

Severe capacity constraints due to the damage to our Napier plant caused by Cyclone Gabrielle have impacted our ability to grow revenue during this half year. The message from our retail partners is that brand-driven demand for our product continues. With the pending near-term return of full production volumes, a strong cash balance and the release of new ranges, a corresponding lift in revenue is anticipated for FY25.

As supply improves, at the quality and quantity required, we will be able to meet existing demand and rebuild our inventory position. This then supports participation in larger commercial developments and the expansion of our in-store presence in over 100 Australian retail stores.

In 1H24, we have focused on reducing administration and distribution costs to better match our reduced revenue while noting that administration costs would have been approximately $1.0 million less after excluding litigation costs and the costs relating to the Board-led strategic review. Once we have the ability to match supply with demand in each of our markets, we believe that our post-cyclone adaptation will yield a meaningful improvement to our financial results.

Yarn Supply

Since the forced closure of our Napier yarn plant, which supplied 100% of our dyed fibre needs and 70% of our yarn, we have worked hard to establish a fully functioning hybrid supply chain. It is exceptionally difficult. The Napier plant made unique yarns that are hard to recreate anywhere in the world. That said, we have had no choice but to embark on this mitigation strategy. At the end of 2023, we had replaced around 60% of our yarn requirements and expects this to be at around 90% by the end of Q3 FY24 and fully recovered by the end of FY24.

The hybrid supply chain we have created minimises the ongoing yarn supply constraints and revenue losses. A return to yarn production in Napier would offer further security to our supply chain.

Our yarn plant in Whanganui, which produces world-leading specialty yarn, has been fortified by strategic partnerships with both domestic and overseas yarn manufacturers who align with our quality standards, whilst Napier remains offline. These collaborations will enable us to scale production and help insulate our supply chain from potential future shocks.

Chief Operating Officer

We have appointed Nicola Simpson as Chief Operating Officer, with Nicola having overall responsibility for all aspects of supply, planning and manufacturing in order to create alignment and focus across our entire supply chain to ensure our growth targets are achieved.

Insurance

We continue to work closely with our insurers concerning reinstatement at Napier under our material damage policy. Stage 1 of the rebuild, involving the reopening of our dyehouse, has been completed, with dyeing operations now underway. The staged approach to reinstatement of the plant is consistent with our objective of providing security of supply for the future while complementing the hybrid supply chain. The loss of our continuous finishing line at Napier has been particularly hard to find a solution for and is the next stage being considered.

Loss of sales, margin losses and ongoing fixed costs incurred during the indemnity period will form the basis of our business interruption insurance claim.

Investment has also been made in machinery in Whanganui to strengthen our capability to make new products and increase production volumes.

Strategic Review

The Board-led strategic review has highlighted several opportunities across our core markets for management to execute in FY25. These opportunities are expected to drive volume and margin growth across New Zealand and Australia, while also streamlining costs to enhance business focus and profitability. Specifically, we are implementing a new go-to-market strategy in Australia, leveraging new digital platforms to accelerate revenue growth in our direct-to-consumer rug business, and reducing our fixed cost base.

The benefits of these growth and cost reduction strategies are expected to be realised in FY25.

Looking beyond FY25 and with greater certainty in our supply chain emerging, we are poised to embark on a new strategy in export markets. Further details on these new geographies will be announced over time.

Growth

Yarn constraints have significantly impacted volume and revenue growth in 1H24 and will continue to impact FY24 results.

Tufting capacity is anticipated to exceed pre-cyclone levels by Q4 of FY24, as we aim to bolster stock levels to meet demand in both New Zealand and Australia.

Increased demand for New Zealand’s strong wool has contributed to the Elco Direct wool-buying business posting pleasing results for the half-year. Our world-first, 10-year, strong wool contracts are also set to contribute to improved long-term outcomes for farmers. We anticipate the Elco Direct business will continue to grow revenue and margin in the second half of FY24.

Chair and CEO Commentary (continued)

Outlook

We anticipate a return to full production volumes for the carpet business in Q4 FY24.

Bremworth's uniquely designed new carpet ranges will be released across New Zealand and Australia. These highly anticipated product innovations are expected to be well received by retailers and consumers.

While the weather events of last year forced the rationalisation of some of our ranges, these new releases, our first since the cyclone, are expected to provide a welcome boost to revenue in FY25.

In November 2023, we unveiled our first Bremworth brand experience store which was designed to offer an immersive sanctuary for our consumers - a space that not only inspires creativity but also fosters a seamless flooring selection experience for our customers and a deep connection to the Bremworth brand. This is a first for the industry and is a part of a trial omnichannel strategy that aims to bring us closer to the end consumer as we look to refine our offer and grow our business. While still in its infancy, we have received positive feedback to date and are closely monitoring store performance.

We look forward to providing further guidance in our FY24 annual reporting, reflecting the advancements made in insurance, supply chain management, distribution, and cost efficiencies post Cyclone Gabrielle.

For and on behalf of the Board of Directors:

George Adams Chairman	Greg Smith Chief Executive Officer

29 February 2024

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Profit or Loss

Six months ended 31 December 2023 (Unaudited)	Note	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Revenue from contracts with customers	4	**38,994**	47,183
Cost of sales		**(28,365)**	(32,478)
Gross profit		**10,629**	14,705
Other income and gains	5	**202**	383
Distribution expenses		**(7,171)**	(9,296)
Administration expenses		**(6,237)**	(5,938)
Cyclone Gabrielle related insurance income		**10,000**	-
Cyclone Gabrielle related expenses		**(9,014)**	-
Cyclone Gabrielle related asset impairment reversed		**100**	-
Restructuring costs		**(473)**	-
		(1,964)	(146)
Finance costs	6	**(398)**	(562)
Finance income		**777**	66
Loss before income tax		**(1,585)**	(642)
Income tax expense		**(92)**	(136)
Loss after tax for the period		**$(1,677)**	$(778)
Basic earnings per share (cents)	2	**(2.39)**	(1.12)
Diluted earnings per share (cents)	2	**(2.36)**	(1.09)

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2023 (Unaudited)	Note	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Loss after tax for the period		**(1,677)**	(778)
Other comprehensive income that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges (net of income tax, if any)		**367**	1,870
Net change in fair value of cash flow hedges transferred to profit or loss (net of income tax, if any)		**(266)**	289
Total other comprehensive income		**101**	2,159
Total comprehensive income for the period		**$(1,576)**	$1,381

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2023 (Unaudited)	Note	Share Capital $000	Cash Flow Hedging Reserve $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Total equity at 1 July 2023		22,054	938	(1,420)	615	28,036	50,223
Total comprehensive income for the period							
Loss after tax		-	-	-	-	(1.677)	(1,677)
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax, if any)		-	101	-	-	-	101
Total comprehensive income for the period		-	101	-	-	(1,677)	(1,576)
Transactions with owners in their capacity as owners							
Share-based payments – value of employee services	7	-	-	-	64	-	64
Total equity at 31 December 2023		**$22,054**	**$1,039**	**$(1,420)**	**$679**	**$26,359**	**$48,711**

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Changes in Equity (continued)

Six months ended 31 December 2022 (Unaudited)	Note	Share Capital	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
		$000	$000	$000	$000	$000	$000
Total equity at 1 July 2022		22,054	(576)	(1,420)	413	17,300	37,771
Total comprehensive income for the period							
Loss after tax		-	-	-	-	(778)	(778)
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax, if any)		-	2,159	-	-	-	2,159
Total comprehensive income for the period		-	2,159	-	-	(778)	1,381
Transactions with owners in their capacity as owners							
Share-based payments – value of employee services	7	-	-	-	104	-	104
Total equity at 31 December 2022		**$22,054**	**$1,583**	**$(1,420)**	**$517**	**$16,522**	**$39,256**

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Financial Position

As at 31 December 2023 (Unaudited)	Note	Unaudited 31 December 2023 $000	Audited 30 June 2023 $000
ASSETS			
Property, plant and equipment - owned		**11,953**	10,234
Property, plant and equipment – right-of-use		**8,092**	8,616
Deferred tax asset		**573**	576
Total non-current assets		**20,618**	19,426
Cash and cash equivalent		**18,839**	31,819
Short-term deposits		**12,000**	7,500
Trade receivables, other receivables and prepayments		**10,956**	9,957
Inventories	9	**21,114**	21,122
Advance to employees		**176**	170
Derivative financial instruments		**1,197**	1,017
Income tax receivable		**112**	125
Total current assets		**64,394**	71,710
Total assets		**$85,012**	$91,136
EQUITY			
Share capital		**22,054**	22,054
Cash flow hedging reserve		**1,039**	938
Foreign currency translation reserve		**(1,420)**	(1,420)
Share-based payment reserve	7	**679**	615
Retained earnings		**26,359**	28,036
Total equity		**48,711**	50,223
LIABILITIES			
Lease liabilities		**16,205**	16,742
Employee benefits		**479**	666
Provisions		**914**	819
Total non-current liabilities		**17,598**	18,227
Trade payables and accruals		**11,301**	14,948
Customer deposits		**234**	192
Employee benefits		**38**	38
Employee entitlements		**4,540**	4,877
Lease liabilities		**1,197**	1,296
Provisions		**667**	816
Derivative financial instruments		**60**	16
Deferred income		**666**	503
Total current liabilities		**18,703**	22,686
Total liabilities		**36,301**	40,913
Total equity and liabilities		**$85,012**	$91,136

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2023 (Unaudited)	Note	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**40,297**	49,666
Cash paid to suppliers and employees		**(45,867)**	(50,620)
		(5,570)	(954)
Government grants received		**178**	118
Other receipts		**3**	3
GST paid		**(1,779)**	(316)
Interest paid – loans and borrowings		**-**	(112)
Interest component of lease payments		**(398)**	(450)
Interest received		**772**	47
Income tax paid		**(76)**	(175)
Cyclone Gabrielle related expenses		**(8,971)**	-
Net cash flow from operating activities		**(15,841)**	(1,839)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		**-**	10
Acquisition of plant and equipment		**(1,992)**	(1,696)
Short term deposits		**(4,500)**	4,000
Cyclone Gabrielle related insurance income		**10,000**	-
Net cash flow from investing activities		**3,508**	2,314
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal component of lease payments		**(636)**	(964)
Net cash flow from financing activities		**(636)**	(964)
NET DECREASE IN CASH AND CASH EQUIVALENT		**(12,969)**	(489)
Cash and cash equivalent at beginning of the period		**31,819**	10,874
Effect of exchange rate changes on cash		**(11)**	(16)
CASH AND CASH EQUIVALENT AT END OF THE PERIOD		**$18,839**	$10,369

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Cash Flows (continued)

Reconciliation of loss with net cash flow from operating activities

Six months ended 31 December 2023 (Unaudited)	Note	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Loss after tax for the period		**(1,677)**	(778)
Add/(Deduct) non-cash items:			
Depreciation – owned assets		**373**	309
Depreciation – right-of-use assets		**524**	490
Reversal of impairment of fixed assets		**(100)**	-
Share-based payments – value of employee services		**64**	104
Interest income - advance to employees		**(6)**	(6)
Deferred tax		**3**	21
Net loss on foreign currency balance		**11**	16
Deduct items reclassified under investing activities:			
Cyclone Gabrielle related insurance income		**(10,000)**	-
Add/(Deduct changes in working capital items:			
Trade receivables, other receivables and prepayments		**(482)**	1,674
Inventories		**8**	(1,770)
Income tax receivable		**13**	(60)
Trade payables and accruals		**(4,164)**	(1,086)
Customer deposits		**42**	(71)
Employee benefits and entitlements		**(524)**	(370)
Provisions		**(54)**	(242)
Deferred income		**163**	196
Derivative financial instruments		**(35)**	(266)
Net cash flow from operating activities		**$(15,841)**	$(1,839)

This statement is to be read in conjunction with the Notes on pages 15 to 26 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements
For the six months ended 31 December 2023

1. General information

Reporting entity

Bremworth Limited ("Bremworth" or "the Company") is a limited liability company that is domiciled and incorporated in New Zealand.

The Company is registered under the Companies Act 1993 and is an FMC reporting entity (by virtue of it being a listed issuer) for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The interim financial statements contained in this half year report have been prepared in accordance with these Acts and are for Bremworth and its subsidiaries ("the Group") as at, and for the six months ended, 31 December 2023.

The Company is listed on the New Zealand Exchange and is required to comply with the provisions of the NZX Listing Rules which require it to present half year reports incorporating, among other things, the interim financial statements covering the Group.

The principal activities of the Group comprise the Elco Direct wool acquisition business and woollen carpet and rug manufacturing and sales.

All Group subsidiaries are wholly-owned.

Basis of preparation

The interim financial statements are condensed financial statements that have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. The disclosures normally required by other standards within New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) to be included in a complete set of annual financial statements are not required to be incorporated into a condensed set of interim financial statements prepared under NZ IAS 34. As a consequence, the interim financial statements do not comply with NZ IFRS.

These interim financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The interim financial statements, and the comparative information for the six months ended 31 December 2022, are unaudited. The comparative information as at 30 June 2023 is audited.

The interim financial statements were approved for issue by the Board of Directors ("Board") of the Company on 29 February 2024.

Critical accounting judgements, estimates and assumptions

In preparing the interim financial statements, the Group has consistently applied the judgements, estimates and assumptions adopted in the preparation of the annual financial statements for the year ended 30 June 2023.

Accounting policies

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2023 and the accounting policies set out therein.

All accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the annual financial statements.

1. General information (continued)

Impact of Cyclone Gabrielle

Background

On 14 February 2023, the Napier yarn spinning plant suffered widespread flooding as Cyclone Gabrielle, which struck New Zealand from 13 to 15 February 2023, brought severe winds and rain and extensive flooding to parts of the North Island - including Hawke's Bay where the Napier yarn spinning plant is situated.

The Napier plant was inundated and sustained significant damage to buildings and plant and equipment as well as loss of inventory.

The Napier plant is a key plant within the Group's woollen carpet operation, supplying woollen spun yarn to the Auckland carpet plant for conversion into carpet and dyed fibre to the Whanganui yarn spinning plant for processing into felted yarns for carpet manufacturing.

Risk mitigation and business continuity plans

With the Napier yarn spinning plant offline and in order to secure the Group's ongoing access to yarns and dyed fibre, management activated risk mitigation and business continuity plans which included alternative supply arrangements as follows:

- procuring woollen yarns from an independent New Zealand yarn spinner for some of its woollen carpet ranges;
- use of an independent third-party dyeing facility to supply the Whanganui yarn spinning plant with dyed fibre; and
- procuring New Zealand wool yarns, and dyed New Zealand wool fibre, from overseas suppliers.

Following the reconfiguration of its plant and equipment, the Whanganui plant was able to not only produce felted yarns but also woollen spun yarns – putting the woollen carpet operation in a strong position to continue to supply key product ranges to its distribution partners.

This new hybrid supply chain model was expected to complement the existing woollen carpet operation while also insulating the Group from future events that could potentially disrupt operations and further strengthening the business.

Progress since the issue of the financial statements for the year ended 30 June 2023

With site clean-up completed and buildings and plant and equipment stabilised to prevent further deterioration, the Group has been looking at options relating to the future of the Napier plant.

This review led to the reinstatement of the dyehouse which was nearing completion at the end of December 2023. The dyehouse is currently undergoing production commissioning as well as regulatory compliance and health and safety sign off.

The decision to reinstate the dyehouse was in response to gaps that were identified in the interim arrangements that had been put in place to provide the carpet business with ongoing access to dyed fibre.

Reinstatement of other processes and key items of plant and equipment at the Napier site are being explored to address other potential gaps in the new hybrid supply chain model.

1. General information (continued)

Impact of Cyclone Gabrielle (continued)

Insurance

The Group has comprehensive insurance cover relating to the damage and losses arising from Cyclone Gabrielle.

The insurers have acknowledged the cyclone event and confirmed that the Group's material damage policy will respond in relation to damage to buildings and plant and equipment as well as loss of inventory and the business interruption policy will respond in relation to the impact of reduction in turnover and costs incurred as a result of consequent disruptions to the business.

The business interruption policy provides for an indemnity period of 18 months. As a consequence, claims under the business interruption policy are expected to occur in FY24 and into FY25.

The insurance claims process is continuing to progress, with the Group receiving, in the six months ended 31 December 2023, a further progress payment of $10.0 million from its insurers – bringing the total since the cyclone to $45.5 million – with these progress payments made on the condition that if the final adjusted loss (as agreed between the parties or as determined by any applicable dispute resolution process) is less than the amount of the progress payments and all other payments under the policies, then the overpaid amount will be promptly refunded.

The Group expects that the claims process will take time to complete, with a number of issues yet to be worked through between the loss adjusters and their experts in conjunction with the Group and its advisers and external experts.

Notes to the Financial Statements (continued)

1. General information (continued)

Impact of Cyclone Gabrielle (continued)

Dealing with impact of Cyclone Gabrielle in the financial statements

The following table summarises the impact of Cyclone Gabrielle on the Group and how these have been dealt with in the financial statements:

Impact of Cyclone Gabrielle	Statement of profit or loss line item	Unaudited Six months ended 31 December 2023 $000's	Unaudited Six months ended 31 December 2022 $000's	Audited Year ended 30 June 2023 $000's
Insurance proceeds recognised as income	Cyclone Gabrielle related insurance income	$10,000	-	$35,500
Further insurance proceeds recognised as income and as a receivable where receipt is virtually certain and amount is able to be reliably estimated	Not applicable	-	-	-
Insurance proceeds recognised as contingent assets	Not applicable	-	-	-
Site clean-up, asset stabilisation and waste disposal costs incurred recognised as expenses	Cyclone Gabrielle related expenses	($703)	-	($6,353)
Ongoing payroll costs recognised as expenses	Cyclone Gabrielle related expenses	($3,083)	-	($5,372)
Ongoing costs as a result of the cyclone, increased costs of working and other additional costs to avoid loss of revenue as well as professional fees (including claims preparation costs) incurred that have also been recognised as expenses	Cyclone Gabrielle related expenses	($3,827)	-	($2,550)
Cost of voluntary redundancies incurred	Cyclone Gabrielle related expenses	($1,401)	-	-
Damaged or destroyed buildings and plant and equipment derecognised to the extent appropriate	Cyclone Gabrielle related asset write offs	-	-	($5,170)
Damaged or destroyed inventory written off to the extent appropriate	Cyclone Gabrielle related asset write offs	-	-	($2,474)
Plant and equipment previously derecognised and subsequently reinstated	Cyclone Gabrielle related asset impairment reversed	$100	-	-

Notes to the Financial Statements (continued)

1. General information (continued)

Going concern

The Group prepares its consolidated financial statements on a going concern basis and expects to be able to realise its assets and meet its financial obligations in the normal course of business.

Cash and bank at balance date of $30.8 million, while down on the $39.3 million as at 30 June 2023, remains significantly higher than the $10.4 million as at 31 December 2022 as a result of insurance progress payments received.

Reduction in cash and bank in the last six months was largely as expected, with the costs associated with voluntary redundancies for Napier-based employees, and holiday pay paid out, accounting for approximately $2.6 million. Payments relating to site clean-up, asset stabilisation and claims preparation costs totalling $3.5 million that were accrued at 30 June 2023 and GST in relation to insurance progress payments received prior to 30 June 2023 of $2.1 million accounted for a further $5.6 million of cash outflows over the six months to 31 December 2023.

Net working capital (being current assets (excluding cash and bank) less current liabilities) employed by the Group as at balance date of $14.9 million, while up on the $9.7 million as at 30 June 2023, is well down on the $22.4 million as at 31 December 2022, as a consequence of the reduction in sales and the lower levels of activity as well as ongoing focus on working capital utilisation and efficiency.

To assess the ongoing liquidity of the Group and its ability to meet its other financial commitments as they fall due in the normal course of business as a consequence of Cyclone Gabrielle, management has prepared forecasts of the Group's financial performance, while also assessing cash flows and financial position, as part of its management and monitoring of the Group's operations through to 30 June 2025.

In preparing these forecasts, management considered and, where required made assumptions, in relation to yarn supply, ongoing reduction in fixed costs, the next stage of the reinstatement of the Napier plant that is being considered and the further insurance recoveries that are expected.

The Board expects that existing cash and bank of $30.8 million is easily sufficient to enable the Group's continued operation.

Despite the disruptions from Cyclone Gabrielle, the Group continues to trade and to actively engage with its distribution partners - with the focus on ensuring we can continue to supply key product ranges and to support them.

The Board is committed to the future of the existing woollen carpet business, with the new hybrid supply chain model post Cyclone Gabrielle entering the final stages of implementation, while also considering the next stage of the reinstatement of the Napier carpet yarn spinning plant to further insulate the Group from future events that could potentially disrupt operations.

That commitment to the future of the business is further demonstrated by its decision to undertake a Board-led strategic review.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

2. Earnings per share

	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Basic earnings per share (Basic EPS)		
Loss after tax ($000)	**$(1,677)**	$(778)
Weighted average number of ordinary shares outstanding	**70,069,426**	69,479,100
Basic EPS (cents)	**(2.39)**	(1.12)
Diluted earnings per share (Diluted EPS)		
Loss after tax ($000)	**$(1,677)**	$(778)
Weighted average number of ordinary shares outstanding	**71,069,426**	71,550,494
Diluted EPS (cents)	**(2.36)**	(1.09)

In calculating the diluted earnings per share, the Company has taken into account the maximum number of shares that could be issued under the Company's long term incentive schemes and the Company's share option scheme as discussed in Note 7 (Share-based payment arrangements) to the interim financial statements.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

3. Segment performance

Unaudited	Carpet		Elco Direct wool		Total	
	Six months ended 31 December 2023 $000	Six months ended 31 December 2022 $000	**Six months ended 31 December 2023 $000**	Six months ended 31 December 2022 $000	**Six months ended 31 December 2023 $000**	Six months ended 31 December 2022 $000
External revenue	**30,619**	39,564	**8,375**	7,619	**38,994**	47,183
Inter-segment revenue	**-**	-	**1,408**	1,161	**1,408**	1,161
Total revenue	**$30,619**	$39,564	**$9,783**	$8,780	**40,402**	48,344
Elimination of inter-segment revenue					**(1,408)**	(1,161)
Consolidated revenue					**$38,994**	$47,183
Segment result before depreciation, insurances and restructuring costs	**(1,395)**	1,040	**211**	57	**(1,184)**	1,097
Depreciation – owned assets	**(294)**	(230)	**(79)**	(79)	**(373)**	(309)
Depreciation - right-of-use assets	**(458)**	(424)	**(66)**	(66)	**(524)**	(490)
Depreciation – recycled through inventory	**-**	(39)	**-**	-	**-**	(39)
Segment result before insurances and restructuring costs	**(2,147)**	347	**66**	(88)	**(2,081)**	259
Cyclone Gabrielle related insurance income	**10,000**	-	**-**	-	**10,000**	-
Cyclone Gabrielle related expenses	**(9,014)**	-	**-**	-	**(9,014)**	-
Cyclone Gabrielle related asset impairment reversed	**100**	-	**-**	-	**100**	-
Segment result before restructuring costs	**(1,061)**	347	**66**	(88)	**(995)**	259
Restructuring costs	**(473)**	-	**-**	-	**(473)**	-
Segment result	**(1,534)**	347	**66**	(88)	**(1,468)**	259
Elimination of inter-segment profits					**(46)**	-
Unallocated corporate costs					**(450)**	(405)
Result from operating activities					**(1,964)**	(146)
Finance costs					**(398)**	(562)
Finance income					**777**	66
Loss before income tax					**(1,585)**	(642)
Income tax expense					**(92)**	(136)
Loss after tax for the period					**$(1,677)**	$(778)

	Carpet		Elco Direct wool		Total	
	Unaudited As at 31 December 2023 $000	**Audited As at 30 June 2023 $000**	**Unaudited As at 31 December 2023 $000**	**Audited As at 30 June 2023 $000**	**Unaudited As at 31 December 2023 $000**	**Audited As at 30 June 2023 $000**
Reportable segment assets	**50,173**	46,846	**4,000**	4,971	**54,173**	51,817
Unallocated assets – cash and bank					**30,839**	39,319
Total assets					**$85,012**	$91,136
Reportable segment liabilities	**17,890**	21,290	**1,009**	1,585	**18,899**	22,875
Unallocated liabilities – lease liabilities					**17,402**	18,038
Total liabilities					**$36,301**	$40,913

The Group's reportable and operating segments are:

— Carpet, with this segment involved in the manufacturing and sales of carpet and rugs in New Zealand, Australia and rest of world; and

— Elco Direct wool, with this segment involved in the acquisition of wool for the carpet segment and for sales to external customers in New Zealand.

Notes to the Financial Statements (continued)

3. Segment performance (continued)

Inter-segment transactions

All inter-segmental transactions included in revenue and operating expenses for each segment are on an arm's-length basis. Inter-segmental sales during the period and intercompany profits on stocks at balance date are eliminated on consolidation.

Information about geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of those assets.

	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Revenue		
Carpet sales and manufacturing segment		
New Zealand		
Carpet	**14,377**	16,546
Rugs	**472**	344
Miscellaneous	**150**	281
Australia		
Carpet	**14,145**	20,761
Rugs	**247**	209
Miscellaneous	**253**	268
Rest of the world		
Carpet	**701**	1,155
Carpet yarn	**274**	-
Elco Direct wool acquisition segment		
New Zealand	**8,375**	7,619
Total revenue	**$38,994**	$47,183

	Unaudited As at 31 December 2023 $000	Audited As at 30 June 2023 $000
Non-current assets		
New Zealand	**19,567**	18,329
Australia	**1,051**	1,097
Total non-current assets	**$20,618**	$19,426

Information about major customers

None of the Group's customers are major customers as defined in NZ IFRS 8 *Operating Segments*. Major customers are those external customers where revenues from transactions with the Group are equal to, or exceed, 10% of the Group's total revenues.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

4. Revenue from contracts with customers

	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Sales of goods		
Carpet	**29,223**	38,462
Rugs	**719**	553
Carpet yarn	**274**	-
Miscellaneous	**403**	549
Elco Direct wool	**8,375**	7,619
Total revenue	**$38,994**	$47,183

5. Other income and gains

	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Rentals received	**2**	2
Dividends received	**1**	1
Government grants recognised	**199**	380
Total other income and gains	**$202**	$383

6. Finance costs

	Unaudited Six months ended 31 December 2023 $000	Unaudited Six months ended 31 December 2022 $000
Interest expense – loans and borrowings	**-**	112
Interest component of lease payments	**398**	450
Finance costs	**$398**	$562

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

7. Share-based payment arrangements

The Company operates four share-based payment plans/schemes, with these plans/schemes designed to incentivise selected employees by providing them with opportunities to be issued equity interests in the Company – in the process aligning their interests with those of shareholders.

The Company has determined the performance rights, the shares and the options issued under these plans/schemes to be equity-settled share-based payment arrangements pursuant to NZ IFRS 2 *Share-based Payment*, with the participants not able to request payment in cash.

There were no issue of performance rights, shares or options under the various plans/schemes during the six months ended 31 December 2023.

More information on the Company's share-based payment arrangements can be found in Note 9b of the annual financial statements for the year ended 30 June 2023.

Maximum number of shares that could be issued under current share-based payment arrangements (excluding those already issued under the 2022 LTI Scheme)

	Unaudited Six months ended 31 December 2023	**Unaudited Six months ended 31 December 2022**
Balance at start of period	**1,000,000**	2,071,394
Issued during the period	**-**	-
Balance at end of period	**1,000,000**	2,071,394

Impact of share-based payment arrangements on the financial statements

The assessed fair value of the performance rights and options at grant date are recognised as an expense in profit or loss over the period from date on which the participant started rendering service or the grant date (whichever is the earlier), adjusted to reflect only those rights and options where the service condition will be met, with corresponding entries to the share-based payment reserve within equity.

$64,000, being the proportion of fair value of the options under the Bremworth Option Scheme and the fair value of the performance rights under the 2022 LTI Scheme relating to the six months ended 31 December 2023, were recognised in administration expenses in the statement of profit or loss for the period, with a corresponding credit totalling $64,000 to the share-based payment reserve within equity (2022: $104,000).

8. Capital commitments

The Group had outstanding commitments for the purchase of plant and equipment of $1,170,000 (30 June 2023 $72,000) at balance date, with $1,090,000 of this relating to the relocation of the Auckland carpet warehousing and distribution centre from Wiri to Papatoetoe.

The extent of further remediation works that may be required at the Napier yarn spinning plant are still being considered and no capital commitments relating to remediation works have therefore been entered into at balance date.

Notes to the Financial Statements (continued)

9. Inventories

	Unaudited As at 31 December 2023 $000	Audited As at 30 June 2023 $000
Raw materials and consumables	**6,023**	4,621
Stocks in transit	**1,144**	169
Work in progress	**507**	1,039
Finished goods	**13,440**	15,293
	$21,114	$21,122
Inventory provisioning	**$1,441**	$1,408

During the six months ended 31 December 2023, provision in respect of inventories increased by $33,000 (six months ended 31 December 2022: decreased by $166,000), with the corresponding amounts charged/released to the statement of profit or loss.

10. Contingencies

	Unaudited As at 31 December 2023 $000	Audited As at 30 June 2023 $000
Indemnities in favour of Bank of New Zealand and National Australia Bank (together, "the Bank") in respect of Bank guarantees relating to lease and other commitments	**$2,068**	$2,068

11. Related parties

Apart from directors' fees, key management personnel remuneration and the professional services that were provided by Paul Izzard Design Limited in relation to Bremworth's new brand experience store, there have been no other material transactions with the directors, key management personnel and their related parties or with any other related parties during the period.

The fees charged by Paul Izzard Design Limited for the professional services rendered totalled $34,000 during the six months ended 31 December 2023, with the services approved by the Board and these fees approved as arms-length.

12. Climate-related disclosures

Understanding, and dealing with, the impact of climate-related risks

The Group has considered the impact of climate-related risks on the business and on its future financial performance, financial position and cash flows as part of the sustainability framework that has been adopted under the Group's transformation strategy to becoming an all-wool and natural materials organisation.

12. Climate-related disclosures (continued)

Understanding, and dealing with, the impact of climate-related risks (continued)

One of these key risks is the exposure to the effects of climate change through adverse climatic conditions (for example, flooding, with the Napier site inundated by flood waters following Cyclone Gabrielle in February 2023 and both the Whanganui and Auckland sites identified as having specific flood risks). In time, it is expected that the Group would also have to understand, and deal with, the effects of rising seas levels, with both the Napier and Whanganui sites within close proximity of the coast and significant rivers.

In relation to this risk, work to understand natural hazards at all of the Group's manufacturing sites as well as available mitigation strategies – including establishing appropriate stormwater infrastructure and processes to mitigate the current levels of risk posed by these events while also gaining a deeper understanding of the potential impact of these weather events including their frequency and severity as well as the resilience of the wider flood-protection infrastructures and systems that we rely on as part of our climate change adaptation – is ongoing.

Risk mitigation and business continuity plans

The Group has continued to focus on its risk mitigation and business continuity plans following Cyclone Gabrielle, with particular attention being given to the resilience of the new hybrid supply chain model while also ensuring that the recent reinstatement of the Napier dyehouse was designed and implemented to improve the overall resilience of the plant should another similar event arise again.

It is also now standard practice to incorporate into all capital project assessments the learnings from the February 2023 flooding event at the Napier site, thereby reducing the risks of a similar flooding event having a similar impact on the Group following Cyclone Gabrielle in February 2023.

Insurance

The Group has in place insurances to protect it against losses arising from climate-related events.

While cover for material damage and business interruption as a consequence of floods (excluding the Napier site) has been capped at $47.3 million, and with a deductible of $2.5 million and a waiting period of 45 days, at the last renewal of the Group's insurance policy, the Group is working with its insurance brokers to:

— reinstate flood cover for the recently reinstated Napier dyehouse, and
— better understand what would be required for its insurers to reinstate full flood cover for the Group.

Financial implications

Based on the Group's assessment, there is nothing to indicate that climate-related risks have had any impact on the carrying value of its non-financial assets as at 31 December 2023 other than those already recognised following Cyclone Gabrielle as discussed in note 3 (Cyclone Gabrielle) to the annual financial statements for the year ended 30 June 2023.

The Board will continue to closely monitor developments in this area and, in particular, the scope of future insurances against flooding.

13. Events after balance date

There have been no events subsequent to 31 December 2023 which would materially affect the financial statements.

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information

For the six months ended 31 December 2023

The half year report for the six months ended 31 December 2023 contains financial information that is non-GAAP (Generally Accepted Accounting Practice) and therefore falls within the Financial Markets Authority's guidance note on "Disclosing non-GAAP financial information" issued in July 2017.

Non-GAAP financial information has been prepared using the unaudited GAAP-compliant half year and audited GAAP-compliant full year financial statements of the Group and has not been independently reviewed.

Non-GAAP financial information contained within the half year report (more particularly, the non-GAAP measures of financial performance such as *"EBITDA (normalised)"*, *"EBIT (normalised)"*, *"Profit before tax (normalised)"* and *"Profit after tax (normalised)"* provide useful information to investors regarding the performance of the Group because the calculations exclude restructuring and transformation costs and other gains/losses (for example, gain/loss on sale of property and investments) that are not expected to occur on a regular basis either by virtue of quantum or nature.

In arriving at this view, the Directors have also taken cognisance of the regular requests by users of the Group financial statements, including analysts and shareholders, regarding the nature and quantum of significant items within the GAAP-compliant results and the way analysts distinguish between GAAP and non-GAAP measures of profit.

The disclosure of the non-GAAP financial information is also consistent with how the financial information for the Group is reported internally, and reviewed by the CEO as its chief operating decision maker, and provides what the Directors and management believe gives a more meaningful insight into the underlying financial performance of the Group and a better understanding of how the Group is tracking after taking into account these significant items.

Non-GAAP financial information does not have standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities.

In putting together the half year report, the Directors have considered all the requirements within the guidance note. More specifically, these include:

- outlining why non-GAAP financial information is useful to investors and how it is used internally by management;
- identifying the source of non-GAAP financial information;
- ensuring that:
  - non-GAAP financial information is not presented with undue and greater prominence, emphasis or authority than the most directly comparable GAAP financial information;
  - presentation of non-GAAP financial information does not in any way confuse or obscure presentation of GAAP financial information;
  - a reconciliation from the non-GAAP financial information to the most directly comparable GAAP financial information, including that for the previous period, can be easily accessed (see pages 28 and 29);
  - a consistent approach is adopted from period to period with respect to the presentation of non-GAAP financial information, including that for comparative periods;
  - where there is any change in approach from the previous period, the nature of the change is explained and the reasons and financial impact provided;
  - non-GAAP financial information is unbiased; and
- taking care when describing, or referring to, items as 'one-off' or 'non-recurring'.

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non-GAAP-compliant measures of loss after tax

	Unaudited Six months ended 31 December 2023		
	GAAP $000	Adjustments $000	Normalised $000
Revenue	**$38,994**	-	$38,994
EBITDA	**(1,067)**	(613)	(1,680)
Depreciation - owned assets	**(373)**	-	(373)
Depreciation – right-of-use assets	**(524)**	-	(524)
EBIT	**(1,964)**	(613)	(2,577)
Finance costs	**(398)**	-	(398)
Finance income	**777**	-	777
Loss before income tax	**(1,585)**	(613)	(2,198)
Income tax (expense)/credit	**(92)**	-	(92)
Loss after tax	**$(1,677)**	(613)	(2,290)
Abnormal net loss after tax		613	613
Loss after tax (GAAP)		-	$(1,677)

Analysis of abnormal items

	Before tax $000	Tax effect $000	After tax $000
Cyclone Gabrielle related income	**10,000**	**-**	**10,000**
Cyclone Gabrielle related expenses and asset impairment reversed	**(8,914)**	**-**	**(8,914)**
Restructuring costs	**(473)**	**-**	**(473)**
	613	**-**	**613**

Calculation of basic and diluted earnings per share under GAAP and non-GAAP measures of loss after tax

Six months ended 31 December 2023	**GAAP-compliant reported loss after tax**	**Reverse abnormal items (net of tax) where applicable**	**Non-GAAP-compliant normalised loss after tax**
Loss after tax ($000)	$(1,677)	$(613)	$(2,290)
Weighted average number of ordinary shares (basic)	70,069,426		70,069,426
Basic earnings per ordinary share (cents)	(2.39)		(3.27)
Weighted average number of ordinary shares (diluted)	71,069,426		71,069,426
Diluted earnings per ordinary share (cents)	(2.36)		(3.22)

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non-GAAP-compliant measures of loss after tax (continued)

	Unaudited Six months ended 31 December 2022		
	GAAP $000	**Adjustments $000**	**Normalised $000**
Revenue	**$47,183**	-	$47,183
EBITDA	**692**	-	692
Depreciation - owned assets	**(309)**	-	(309)
Depreciation – right-of-use assets	**(490)**	-	(490)
Depreciation – recycled through inventory	**(39)**	-	(39)
EBIT	**(146)**	-	(146)
Finance costs	**(562)**	-	(562)
Finance income	**66**	-	66
Loss before income tax	**(642)**	-	(642)
Income tax (expense)/credit	**(136)**	-	(136)
Loss after tax	**$(778)**	-	(778)
Abnormal net loss after tax		-	-
Loss after tax (GAAP)		-	$(778)

Calculation of basic and diluted earnings per share under GAAP and non-GAAP measures of loss after tax

Six months ended 31 December 2022	**GAAP-compliant reported loss after tax**	**Reverse abnormal items (net of tax) where applicable**	**Non-GAAP-compliant normalised loss after tax**
Loss after tax ($000)	$(778)	-	$(778)
Weighted average number of ordinary shares (basic)	69,479,100		69,479,100
Basic earnings per ordinary share (cents)	(1.12)		(1.12)
Weighted average number of ordinary shares (diluted)	71,550,494		71,550,494
Diluted earnings per ordinary share (cents)	(1.09)		(1.09)

Bremworth Limited

Corporate Directory

Board of Directors:

George Adams DipFSA(Hons), FCA, CFInstD Independent	Chairman of the Board of Directors Chairman of Nomination Committee Member of Audit and Remuneration Committees
Paul Izzard BA (Hons) Interior Design Independent	Member of Audit and Remuneration Committees
John Rae B.Com., LLB, CMInstD Independent	Member of Audit, Remuneration and Nomination Committees
Katherine Turner B.Com., CA, CMInstD Independent	Chairman of Audit Committee Member of Remuneration Committee
Dianne Williams B.Com., MBA, CMInstD Independent	Chairman of Remuneration Committee Member of Audit and Nomination Committees

Director Emeritus:
Grant Biel B.E. (Mech.)

Chief Executive Officer:
Greg Smith

Chief Financial Officer and Company Secretary:
Victor Tan CA, FCIS

Founding Shareholder:
The late Anthony Charles Timpson ONZM

Registered Office:
7 Grayson Avenue, Auckland 2104, P O Box 97-040, Auckland 2241.
Telephone: 64-9-277 6000, Facsimile: 64-9-279 4756, Website: bremworth.co.nz

Share Registrar:
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Auckland 0622, Private Bag 92-119, Auckland 1142.
Telephone: 64-9-488 8700, Facsimile: 64-9-488 8787, Investor Enquiries: 64-9-488 8777

Auditors:
PwC

Legal Advisors:
Russell McVeagh

Bankers:
Bank of New Zealand National Australia Bank Limited

Websites:

Corporate	bremworth.co.nz/investor-centre
Carpet Operation	bremworth.co.nz; bremworth.com.au
Wool Operation	elcodirect.co.nz
Share Registrar	computershare.com/nz